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SUMMARY

Agenda Item: H Poland

OUTLINE OF A METHOD OF CONSTRUCTING A PERSPECTIVE PLAN BASED ON POLISH EXPERIENCE

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OUTLINE OF A METHOD OF CONSTRUCTING A PERSPECTIVE PLAN

based on Polish experience

by Professor Michal Kalecki, D.Sc. Poland, Warszawa

Summary:

1. Taking the rate of growth of the national income as the basic parameter of a perspective plan it is suggested that the construction of the plan should start from a variant characterized by a high rate of growth. The variant may prove untenable for various reasons. /a/ The higher the increment of the national income at its given level the higher the investment which is necessary to achieve this increment. However, a high relative share of investment in the national income will affect unfavourably consumption in the short period eventhough in the long-run the cumulative effect of the high rate od growth contributes to an increase in the standard of living. /b/ With a high rate of growth there emerge usually difficulties in equilibrating the balance of trade. These difficulties will aggravate the problem of the relative share of investment in the national income /which is meant to be adjusted for the deterioration in terms of trade/; they may even make the balancing of foreigntrade practically impossible. /c/ Finally there may emerge in some instances a scarcity of labour. This will make necessary an effort to save labour by means of mechanization and modernization which will require additional capital outlays and thus again aggravate the problem of the relative share of investment in the national income.

2. If the "high" variant proves untenable because of practical impossibility to balance foreign trade or because of a relative share of investment in the national income which is considered intolerable by the authorities it will be necessary to consider a variant with a lower rate of growth.

3. In the testing of the variants it is necessary to determine roughly the industrial structure of aggregate demand and aggregate output. This is indispensable for the examination of the problem of the balance of foreign trade as well as for checking the first estimate of investment which is based on a hypothetical capital coefficient. In the determination of the structure of demand and oputput considerations of efficiency are involved in two ways: /a/ the choice between two or more technological alternatives of achieving the same productive effect /b/ the choice between various alternatives of aerning foreign exchange by means of exports or substituting home production for imports.

4. The structure of output in a planned economy cannot be determined apart from these two aspects by consideration of efficiency. Indeed, in an economy which would be closed and where only one method of achieving a given productive effect were available, the calculations of efficiency would be out of place; because with a given rate of growth of the national income and a given structure of future consumption the industrial structure of output would be fully determined by the technical coefficients of production.

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